WASTE MANAGEMENT

Public Affairs
915 L Street, Suite 1430
Sacramento, CA 95814
916/552-5859
916/448-2470Fax

June 17, 2013

California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

File via docket@energy.ca.gov
and Garry.Oneill@energy.ca.gov

RE: 13-IEP-1M: Status of Bioenergy Development in California

We appreciate the opportunity to submit these comments on behalf of Waste Management and Wheelabrator Technologies Inc. on progress made and recommendations for future activities with regard to updating the 2012 Bioenergy Action Plan. (the "Plan").

Introduction

Waste Management is the leading provider of comprehensive waste management and environmental services in North America. The company serves approximately 20 million municipal, commercial, industrial and residential customers through a network of 390 collection operations, 294 transfer stations, 266 active municipal solid waste (MSW) landfill disposal sites, 121 recycling facilities, 34 organic processing facilities and 136 beneficial-use landfill gas projects. Many of these facilities operate in California. In addition, Waste Management is focused on investing in and commercializing emerging technologies for converting waste materials into renewable energy through its Organic Growth Group.

Wheelabrator Technologies is a wholly owned subsidiary of Waste Management and the owner/operator of safe, clean and renewable power across the United States, including 17 waste-to-energy power plants and its Shasta Energy Plant in Anderson, California, that generates electricity from wood waste. Wheelabrator's Norwalk Energy power plant, a Combined Heat and Power facility, produces electricity sold to the local utility and provides steam and chilled water to meet the needs of a co-located state hospital.

We commend the Commission on the Plan and its continuing focus on clean energy programs. Our comments focus on the need to strengthen existing biomass facility operations, provide incentives for biomass, promulgate fair and reasonable standards for biomethane and share the cost of bioenergy development.

Emphasis Should Be Placed on Keeping Existing Bioenergy Generation Operational

California's existing biomass and bioenergy facilities require active support to remain viable. Development of energy from waste should be encouraged for a multitude of reasons. Bioenergy technologies that use waste as a fuel generate extremely low emissions and can cut our greenhouse gas emissions. They represent low carbon energy. Most of the technologies generate base load energy, not intermittent power, and provide stability to the grid. California's bioenergy facilities create much-needed jobs, often in rural areas. Biomass facilities lower the risk of fire in the State's less populated areas. Equally important, beneficial use of waste to generate energy encourages landfill diversion and/or cleaner, more efficient landfill operations.

As the Black and Veetch Study[1] makes clear, bioenergy facilities are not yet fully competitive and require support for development. The Black and Veetch Study provides a strong foundation to understand the market for bioenergy. The Study's findings should be considered as part of the Plan. The Study not only shows that new facilities will falter without assistance from the State, but also helps to explain why existing biomass facilities are in economic difficulty due to the higher costs of operation.

The Commission must act to protect California's existing bioenergy assets. In particular, incentives should be targeted at biomass resources (agricultural and in-forest residues) that are both expensive to produce, and provide particularly valuable public benefits when used for energy production, rather than being disposed of using conventional means (usually open burning), or allowed to accumulate as overgrowth material in California's increasingly fire-prone forests (in-forest residues not removed). Smaller communities near California's forests would benefit from fuel incentive programs that lower the risk of devastating fires and support existing and new biomass generation using the most expensive of biomass fuel sources to produce: in-forest residues. The fuel production alternative also provides many more jobs in rural communities than conventional disposal.

The Plan also should state the Commission's support for assistance in retrofitting renewable landfill-gas-to-energy technologies that face significant new compliance costs and market

[1] Small Scale Bioenergy Feed-In Tariff Assessment, prepared for the California Public Utilities Commission, April 9, 2012, Black and Veetch. www.cpuc.ca.gov/NR/rdonlyres/9ABE17A5-3633-4562-A6DA-A090EB3F6D07/0/SmallScaleBioenergy_DRAFT_04092013.pdf

barriers for growth. Support is needed to assist biogas to energy projects that may be abandoned because of the increasingly stringent criteria pollution emission standards being imposed on this renewable generation. The cost of the emission controls that are being required may lead to the abandonment of existing biogas to energy facilities and return to flaring.

Reasonable Rules Must Be Promulgated for Biogas and Biomethane

Biogas (onsite landfill-gas-to-energy) and biomethane (high-BTU pipeline-quality methane) projects are key to the development of bioenergy. Landfill gas is the largest existing source of biogas currently collected in California. CalRecycle estimates only about 53% of collected landfill gas is used beneficially to produce electricity or fuels. The remaining 47% is flared and its energy wasted. The Commission should encourage biomethane and biogas-to-energy projects.

The Public Utilities Commission is now hearing testimony in its Rulemaking[2] to set pipeline safety and integrity standards for injection of biomethane into common carrier pipelines. Key to the success of that proceeding, and the advancement of biogas, will be fair and reasonable standards that do not set economic barriers to development.

Utilities Need to Shoulder Certain Costs for Bioenergy Development

The Commission should recognize that all renewable energy sources are not treated equally with regard to pricing, particularly with regard to integration costs. For example, the added costs of accommodating intermittent solar and wind resources are borne by the ratepayer and other generators, including biomass facilities. Biomass should be accommodated no less than other renewable resources. Our facilities provide essential stable generation and flexibility to the grid.

Utilities should shoulder certain costs including interconnection costs. The Commission also should consider rate reform and tariff reform to provide the mechanisms and compensation that will encourage biomass generators to offer flexible operation. In the biomethane arena, some of the expense of getting biomethane into utility pipelines should be born by the utilities and the ratepayers to facilitate a cost-effective means of compliance with California's Cap and Trade program. This should include:

- Interconnection and pipeline access costs,
- Project development costs,
- Sampling and Monitoring

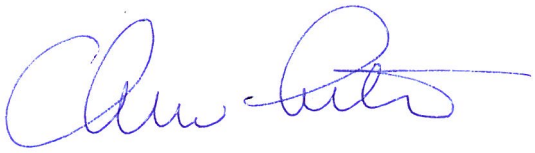
[2] CPUC Rulemaking 13-02-008, Order Instituting Rulemaking to Adopt Biomethane Standards and Requirements, Pipeline Open Access Rules, and Related Enforcement Provisions

Conclusion

Electric and natural gas utilities will need bioenergy sources to meet their obligations to comply with reducing their overall carbon emissions. Bioenergy provides more than power to a utility customer. Bioenergy provides a means of compliance with environmental regulations. Overall, the bioenergy industry provides unique and very valuable environmental services to the State of California. The bioenergy generator cannot be asked to assume all costs of development and operations of this new industry. If the State wants bioenergy development, it must provide a supportive economic situation for these projects. With a supportive economic environment, we will preserve and grow the bioenergy industry that will result in a better natural environment for us all.

Thank you for this opportunity to comment.

Sincerely,



Chuck White, P.E.
Director of Regulatory Affairs/West